UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number: 001-12933

AUTOLIV, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	51-0378542 (I.R.S. Employer Identification No.)
Klarabergsviadukten 70, Section B7, Box 70381, Stockholm, Sweden (Address of principal executive offices)	SE-107 24 (Zip Code)

+46 8 587 20 600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol(s):	Name of each exchange on which registered:
Common Stock (par value $1.00 per share)	ALV	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes: ☒ No: ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes: ☒ No: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262 (b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes: ☐ No: ☒

The aggregate market value of the voting and non-voting common equity of Autoliv, Inc. held by non-affiliates as of the last business day of the second fiscal quarter of 2020 amounted to $5,634 million.

Number of shares of Common Stock outstanding as of February 10, 2021: 87,362,501.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the annual stockholders' meeting to be held on May 12, 2021, to be dated on or around March 28, 2021 (the "2021 Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. The 2021 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after December 31, 2020.

Plaintiff's Exhibit
PX 1139 A

3) Evolving government regulations and test rating systems to improve the safety of vehicles in various markets, such as the updated Euro New Car Assessment Program (NCAP), China NCAP and USNCAP; and

4) The trend towards autonomous driving vehicles will add new demands, and to provide protection of occupants in new seating positions, regardless of how a driver or other passenger are seated, will require new and more complex solutions.

The automotive safety market is driven by two primary factors: light vehicle production (LVP) and content per vehicle (CPV).

The first growth driver, LVP, has increased at an average annual growth rate of around 1.3% since the start of Autoliv in 1997 despite the substantial drop in LVP in 2020 due to the COVID-19 pandemic. LVP is forecasted to grow to close to 88 million by 2023 from approximately 72 million in 2020, as the market is expected to recover from the effects of the COVID-19 pandemic, according to IHS Markit.

Unlike LVP, where Autoliv can only aim to be on the best-selling platforms, Autoliv can influence CPV more directly by continuously developing and introducing new technologies with higher value-added features. Over the long term, this increases average safety CPV and has caused our markets to grow faster than the LVP.

Since 1997, the Company's sales compound annual growth rate (CAGR) for passive safety has been 4.4% compared to the market rate of around 1.9% which includes an LVP growth of around 1.3%. Our outperformance is a result of a steady flow of new passive safety technologies, strong focus on quality and a superior global footprint both in products and engineering. This has enabled Autoliv to increase its market share from 27% in 1997 to 42% in 2020.

In the Developed Markets (Western Europe, North America, Japan and South Korea) the CPV is around $300. CPV growth in these regions will mainly come from new safety systems such as active seatbelts, knee airbags and front-center airbags along with improved protection for pedestrians and rear-seat occupants like bag-in-belt or more advanced seatbelts.

In our Growth Markets (all markets other than the Developed Markets), we see great opportunities for CPV growth from more airbags and advanced seatbelt products. Average CPV in our Growth Markets is around $190, approximately $110 less than in the Developed Markets.

As a result of higher installation rates of airbags, more advanced seatbelt products and more complex steering wheels, CPV is expected to increase at a similar pace in both Developed and Growth markets over the next 3-4 years. LVP in Growth Markets is expected to increase faster than in the Developed Markets during the same period. Despite a negative LVP mix effect from higher growth in low CPV markets, the annual passive safety market (seatbelts and airbags, including steering wheels), is expected to grow from around $17 billion in 2020 to more than $23 billion over the next 3-4 years, based on the current macro-economic outlook and our internal market intelligence and estimates. The highest growth rate is expected in steering wheels, where Autoliv has a global market share of around 37%, generated by the trend toward higher-value steering wheels with leather and additional features.

In seatbelts, Autoliv has reached a global market share of around 44%, primarily due to being the technology leader with several important innovations such as pretensioners and active seatbelts. Our strong market position is also a reflection of our superior global footprint. Seatbelts are the primary life-saving safety product and are also an important requirement in low-end vehicles for the Growth Markets. This provides us with an excellent opportunity to benefit from the expected growth in this segment of the market.

The market for airbags, where Autoliv has a market share of around 42%, is expected to grow mainly as result of higher installation rates of inflatable curtains, side airbags and knee airbags. Additionally, the new front center airbag is expected to start to contribute to the market growth.

Our competitors

Autoliv is the clear market leader in passive safety with an estimated global market share of 42%.

ZF, our largest competitor, is a global leader in driveline and chassis technology as well as in passive safety technologies, and is one of the largest global automotive suppliers.

Our second largest competitor is U.S.-based Joyson Safety Systems (JSS). JSS is a Chinese owned company and is the result of the merger between Key Safety Systems (KSS) and Takata Corporation after KSS acquired Takata in 2018.

In Japan, Brazil, South Korea and China there are a number of local suppliers that have close ties with the domestic vehicle manufacturers. For example, Toyota uses "keiretsu" (in-house) suppliers Tokai Rika for seatbelts and Toyoda Gosei for airbags and steering wheels. These suppliers generally receive most of the Toyota business in Japan, in the same way, Mobis, a major supplier to Hyundai/Kia in South Korea, generally receives a significant part of their business.

Other competitors include Nihon Plast and Ashimori of Japan, Jinheng of China, Samsong in South Korea and Chris Cintos de Seguranca in South America. Collectively, these competitors account for the majority of the remaining market share in passive safety.

Additional information concerning our products, markets and competition is included in the "Risks and Risk Management" section under Item 7 of this Annual Report.

Notes to the Consolidated Financial Statements

(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

1. Basis of Presentation

NATURE OF OPERATIONS

Through its operating subsidiaries, Autoliv is a leading developer, manufacturer and supplier of safety systems to the automotive industry. The Company has a broad range of product offerings, primarily passive safety systems, including modules and components for passenger and driver airbags, side airbags, curtain airbags, seatbelts and steering wheels. The Company is also a supplier of anti-whiplash systems and pedestrian protection systems.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements have been prepared in accordance with United States (U.S.) Generally Accepted Accounting Principles (GAAP) and include Autoliv, Inc. and all companies over which Autoliv, Inc. directly or indirectly exercises control, which as a general rule means that the Company owns more than 50% of the voting rights.

Consolidation is also required when the Company has both the power to direct the activities of a variable interest entity (VIE) and the obligation to absorb losses or the right to receive benefits from the VIE that could be significant to the VIE.

All intercompany accounts and transactions within the Company have been eliminated from the consolidated financial statements.

Investments in affiliated companies in which the Company exercises significant influence over the operations and financial policies, but does not control, are reported using the equity method of accounting. Generally, the Company owns between 20-50% of such investments.

DISCONTINUED OPERATIONS

On June 29, 2018 (the "Distribution Date"), Autoliv completed the spin-off of its former Electronics segment (the "spin-off") through the distribution of all of the issued and outstanding stock of Veoneer, Inc. ("Veoneer").

In accordance with U.S. GAAP, the financial position and results of operations of the Electronics business are presented as discontinued operations and, as such, have been excluded from continuing operations for all periods presented. The sum of the individual earnings per share amounts from continuing operations and discontinued operations may not equal the total company earnings per share amounts due to rounding. The cash flows and comprehensive income related to the Electronics business have not been segregated and are included in the Consolidated Statements of Cash Flows and Comprehensive Income, respectively, for all comparison periods presented. With the exception of Note 3, the Notes to the Consolidated Financial Statements reflect the continuing operations of Autoliv. See Note 3, Discontinued Operations, below for additional information regarding discontinued operations.

Responsibility for certain product, warranty and recall liabilities for Electronics products manufactured prior to April 1, 2018 was retained by Autoliv as provided in the Distribution Agreement between Autoliv and Veoneer.

Certain amounts in prior year's consolidated financial statements and related footnotes thereto have been reclassified, unless otherwise noted, to conform with the current year presentation as a result of the spin-off of Veoneer.

SEGMENT REPORTING

Prior to the spin-off, Autoliv had two reportable operating segments: Passive Safety and Electronics. After completion of the spin-off, Autoliv's remaining business is comprised of passive safety products - principally airbags (including steering wheels and inflators) and seatbelts. In addition, as of August 1, 2019, Autoliv implemented a new organizational structure which has been considered when evaluating the operating and reportable segments in the Company after the spin-off.

In accordance with ASC 280, *Segment Reporting*, the operating segments are determined based on the information provided to the Chief Operating Decision Maker (CODM) on a regular basis and used for the purpose of assessing performance and allocating resources within the Company. The CEO is deemed to be the CODM of Autoliv since he is the person who makes all major decisions on how to allocate the resources and assess the performance of the Company for both strategic and operational initiatives.

ASC 280 indicates that a component is an operating segment if it meets the following criteria:

- It engages in business activities from which it may earn revenues and incur expenses.
- Its operating results are regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and assess its performance.
- Its discrete financial information is available.